

**Frazier, Gary**

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

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IN RE: ADAMS GOLF, CA. NO.  
INCORPORATED 99-371-KAJ

SECURITIES LITIGATION  
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Wednesday, August 9, 2006

Oral deposition of GARY L. FRAZIER,  
was taken pursuant to Notice, at the  
offices of SIMPSON THACHER & BARTLETT LLP,  
425 Lexington Avenue, New York, NY  
10017-3954 on the above date before  
DEBRA G. JOHNSON-SPALLONE, CSR, RPR,  
Notary Public, and a Federally Approved  
Reporter of the United States District  
Court commencing at or about 10:40 a.m.

RSA/VERITEXT COURT REPORTING COMPANY

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1	trenches in October '98 or	03:11:21PM	1	MR. GLUCKOW: Objection.	03:12:46PM
2	March '99, you don't have	03:11:24PM	2	Overbroad, vague and	03:12:47PM
3	all of the data. You don't	03:11:25PM	3	ambiguous. Calls for	03:12:48PM
4	have time to really reflect	03:11:26PM	4	speculation.	03:12:50PM
5	on things. You don't -- you	03:11:28PM	5	But you can answer.	03:12:50PM
6	don't have two weeks to sit	03:11:31PM	6	Outside the scope.	03:12:51PM
7	down and only read documents	03:11:32PM	7	You can answer.	03:12:52PM
8	related to this one minor	03:11:33PM	8	THE WITNESS: Yeah, I	03:12:52PM
9	issue when you have got so	03:11:34PM	9	don't know for sure.	03:12:53PM
10	many other issues bombarding	03:11:36PM	10	---	03:12:53PM
11	you in the marketing like	03:11:37PM	11	BY MR. COLLINS:	03:12:53PM
12	product, price, place,	03:11:38PM	12	Q. Now, what does it mean to	03:12:53PM
13	promotion. It is not easy	03:11:40PM	13	you that Callaway, in its '97 10K, raised	03:12:55PM
14	to make the calls that they	03:11:41PM	14	it as a negative?	03:12:59PM
15	did.	03:11:43PM	15	Does that have any impact on	03:13:00PM
16	I am not -- but the key	03:11:43PM	16	your opinion?	03:13:02PM
17	here for me is; I have the	03:11:46PM	17	A. Yes, for Callaway or --	03:13:02PM
18	luxury of having a lot of	03:11:50PM	18	Let me put it this way.	03:13:04PM
19	information. I have the	03:11:51PM	19	And, again, you know, I do	03:13:06PM
20	background. I have the	03:11:52PM	20	agree with Ochoa on the point that, gray	03:13:09PM
21	experience. I have	03:11:53PM	21	market sales attract different firms from	03:13:12PM
22	expertise. I have facts	03:11:53PM	22	the same industry differently.	03:13:14PM
23	in this case to render my	03:11:55PM	23	Callaway had been the only	03:13:15PM
24	opinions, and that is what	03:11:57PM	24	game in town for large head drivers since,	03:13:17PM
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1	I've have done.	03:11:58PM	1	like, '91. It was not until '97/'98 that	03:13:21PM
2	---	03:11:58PM	2	others started to introduce a lot of their	03:13:24PM
3	BY MR. COLLINS:	03:11:58PM	3	clubs.	03:13:27PM
4	Q. Okay.	03:11:58PM	4	Callaway was it. They were	03:13:27PM
5	Now, are you familiar with	03:12:10PM	5	not only hot over a year or two. They	03:13:29PM
6	the fact that in 1997, 10K --	03:12:12PM	6	were there, and they had irons and putters	03:13:32PM
7	A. Of Callaway?	03:12:18PM	7	and drivers and balls and everything else.	03:13:34PM
8	Q. Callaway.	03:12:19PM	8	A gray marketer, a diverter,	03:13:38PM
9	MR. GLUCKOW: Stop	03:12:20PM	9	will always be more attracted to products	03:13:40PM
10	reading his mind. Let him	03:12:21PM	10	from a Callaway than they would to an	03:13:43PM
11	get his question out.	03:12:23PM	11	Adams, because they are easier to sell,	03:13:47PM
12	THE WITNESS: Sorry.	03:12:24PM	12	and as brand strength, it has brand	03:13:49PM
13	---	03:12:24PM	13	prestige. It has brand awareness.	03:13:53PM
14	BY MR. COLLINS:	03:12:24PM	14	If a golf shop did not	03:13:54PM
15	Q. Callaway addressed gray	03:12:26PM	15	carry, Callaway; oh, my God, what did I do	03:13:56PM
16	marketing as a risk factor of Callaway.	03:12:28PM	16	to deserve this? Because they'd have no	03:14:00PM
17	Are you generally familiar	03:12:36PM	17	credibility with many golfers.	03:14:03PM
18	with that?	03:12:37PM	18	So, is that surprising to me	03:14:05PM
19	A. I know -- I know they raised	03:12:37PM	19	with those characteristics that there be	03:14:06PM
20	it as a negative.	03:12:38PM	20	tremendous pressure for diverters to	03:14:06PM
21	Q. Okay.	03:12:39PM	21	acquire Callaway clubs and get them to	03:14:09PM
22	At that time, how extensive	03:12:42PM	22	anyone?	03:14:11PM
23	was gray marketing at Callaway, if you	03:12:44PM	23	So, given its level of	03:14:11PM
24	know?	03:12:46PM	24	sales, over 900,000,000; given its brand	03:14:13PM

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1	strength, given the ease of selling those	03:14:16PM	1	would face.	03:15:51PM
2	products -- I mean, I'm not surprised that	03:14:18PM	2	---	03:15:51PM
3	10K that Callaway said that.	03:14:21PM	3	BY MR. COLLINS:	03:15:51PM
4	But, Adams is not Callaway.	03:14:23PM	4	Q. Well, when you say it was	03:15:52PM
5	Callaway is not Adams.	03:14:25PM	5	completely different --	03:15:53PM
6	Q. Okay.	03:14:26PM	6	A. Well, it is not completely	03:15:54PM
7	And if I'm understanding	03:14:27PM	7	different. They are in the same industry,	03:15:55PM
8	correctly, the thing about Callaway that	03:14:28PM	8	yeah, but I wouldn't say completely	03:15:57PM
9	made it particularly susceptible to gray	03:14:32PM	9	different, but very different --	03:16:00PM
10	marketing was its prestige and the fact	03:14:34PM	10	Q. Okay.	03:16:01PM
11	that it was the industry leader.	03:14:40PM	11	A. -- across the two.	03:16:03PM
12	Is that right so far?	03:14:42PM	12	Q. But, can you say whether the	03:16:04PM
13	MR. GLUCKOW: Objection.	03:14:44PM	13	danger, as of July 1998, was higher for	03:16:06PM
14	Mischaracterizes the	03:14:45PM	14	Callaway or higher for Adams?	03:16:08PM
15	testimony.	03:14:46PM	15	MR. GLUCKOW: Objection.	03:16:10PM
16	You can answer.	03:14:46PM	16	Overbroad.	03:16:12PM
17	THE WITNESS: Well, at	03:14:47PM	17	MR. COLLINS: The	03:16:13PM
18	least two factors; prestige,	03:14:48PM	18	danger of being gray	03:16:13PM
19	market position, the ease of	03:14:49PM	19	marketed.	03:16:15PM
20	selling.	03:14:51PM	20	MR. GLUCKOW: Overbroad.	03:16:15PM
21	---	03:14:51PM	21	MR. COLLINS: Excuse me.	03:16:16PM
22	BY MR. COLLINS:	03:14:51PM	22	MR. GLUCKOW: Calls for	03:16:17PM
23	Q. All right. Okay.	03:14:55PM	23	speculation. Outside the	03:16:17PM
24	And then, to the extent	03:14:56PM	24	scope.	03:16:17PM

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1	that Adams provided for particularly high	03:14:59PM	1	You can answer.	03:16:18PM
2	retailer margins, that was something that	03:15:07PM	2	---	03:16:18PM
3	made gray marketing of Adams clubs more	03:15:11PM	3	BY MR. COLLINS:	03:16:18PM
4	likely?	03:15:15PM	4	Q. Again, I appreciate your	03:16:19PM
5	MR. GLUCKOW: Objection.	03:15:16PM	5	testimony about the difference in gray	03:16:20PM
6	Overbroad, vague and	03:15:16PM	6	marketing for Callaway in 1998, and gray	03:16:22PM
7	ambiguous. Asked and	03:15:17PM	7	marketing Adams in 1998.	03:16:27PM
8	answered.	03:15:23PM	8	A. Huh-huh.	03:16:29PM
9	THE WITNESS: Adams,	03:15:23PM	9	Q. Different, I understand.	03:16:29PM
10	for a gray marketer, a	03:15:24PM	10	But, can you really say that	03:16:30PM
11	diverter, in '98, would be	03:15:26PM	11	the one or the other faced a greater risk	03:16:31PM
12	attractive in part, because	03:15:28PM	12	of gray marketing?	03:16:35PM
13	it was a hot product getting	03:15:30PM	13	MR. GLUCKOW: Same	03:16:36PM
14	publicity and everything,	03:15:33PM	14	objections.	03:16:36PM
15	and its margins were up.	03:15:34PM	15	THE WITNESS: Given	03:16:39PM
16	I would agree with	03:15:38PM	16	what I've seen, and given	03:16:40PM
17	that.	03:15:39PM	17	what I know about gray	03:16:41PM
18	MR. COLLINS: All of --	03:15:39PM	18	market sales, I would say	03:16:43PM
19	THE WITNESS: But the	03:15:39PM	19	it is an extremely high	03:16:45PM
20	danger or lack thereof,	03:15:40PM	20	likelihood that gray market	03:16:46PM
21	presented by the gray market	03:15:42PM	21	sales for Callaway were	03:16:48PM
22	to Adams is completely	03:15:44PM	22	greater than gray market	03:16:49PM
23	different than the danger	03:15:46PM	23	sales at Adams.	03:16:51PM
24	that somebody like Callaway	03:15:50PM	24	Although, I don't have	03:16:53PM